

BEFORE THE MINNESOTA PUBLIC UTILITIES COMMISSION

Barbara Beerhalter	Chair
Cynthia A. Kitlinski	Commissioner
Norma McKanna	Commissioner
Robert J. O'Keefe	Commissioner
Darrel L. Peterson	Commissioner

In the Matter of the Petition of Peoples  
Natural Gas Company, Division of UtiliCorp  
United Inc. for Authority to Increase Its Rates  
for Gas Service in Minnesota

ISSUE DATE: March 21, 1988

DOCKET NO. G-011/GR-86-144

ORDER APPROVING COMPLIANCE  
FILING AND MODIFYING AND  
APPROVING REFUND PLAN

PROCEDURAL HISTORY

On January 16, 1987 the Commission issued its Order in the above-captioned Peoples Natural Gas Company (Peoples or the Company) general rate case. Interim rates exceeded final rates, and the Company refunded a portion of the difference between the two, as required by the Commission.

The Commission did not require the Company to refund the portion of interim rates attributable to the Commission's rejection of its positions on five financial issues, while the Company sought judicial review on these issues. Instead, the Commission granted a stay. The Commission also allowed the Company to collect final rates, subject to refund, computed as though the Commission had accepted its position on these issues.

On October 7, 1987 the Court of Appeals upheld the Commission's decisions on these issues. The Company did not appeal further, necessitating rate reductions, refund of the amounts collected under stay, and refund of the portion of interim rates attributable to the appealed issues.

On December 10, 1987 the Company made a compliance filing including rate reduction schedules and a proposal for refunding both the amounts collected under stay and the portion of interim rates not refunded earlier.

## STATEMENT OF THE ISSUES

The issues before the Commission are whether the proposed rate schedules comply with Commission decisions in this docket and whether the refund plan is appropriate and should be approved.

## FINDINGS AND CONCLUSIONS

### The Proposed Rate Schedules

The Commission finds that the proposed rate schedules are accurate, are in compliance with Commission decisions in this docket, and should be approved.

### The Refund Proposal

Peoples computed the amount to be refunded as \$2,179,619 for the interim rates period and \$245,491.46 for the period of the stay. (The original interim rates refund computation contained a rounding error which was subsequently corrected. The second figure was effective October 1 and increases daily; stayed rates are still in effect.)

The Company proposed to refund the amounts for both time periods, plus interest at the prime rate, by refunding to each customer class the difference between the stayed level of rates and the final level of rates approved by the Commission. The filing included a proposed customer notice explaining the refund.

The Commission finds that the Company has accurately calculated the amount of money to be returned to ratepayers and the interest due. The Commission also finds the proposed customer notice to be accurate and clear. The amount of the refund and the customer notice will be approved. The proposed method of distributing the excess revenues collected during the interim rates period, however, is inconsistent with Commission practice and will be modified.

The Company proposed to base the distribution of refunds on the difference between stayed rates and final rates. During the stay, the Company's rate structure reflected changes in rate design approved in the rate case. A refund based on stayed rates, then, would not accurately refund payments made during the interim rates period. It would in effect amount to retroactive application of the rate design approved in the rate case. This conflicts with Commission practice as upheld by the Minnesota Supreme Court. In re Petition of Inter-City Gas Corporation for Authority to Change its Schedule of Rates for Gas Service in Minnesota, 389 N.W.2d 897 (Minn. 1986); In the Matter of the Application of Peoples Natural Gas Company for Authority to Increase Rates for Gas Utility Service in Minnesota, 389 N.W.2d 903 (Minn. 1986).

The Commission will require that Peoples distribute the refund for the interim rates period on a pro rata basis by customer class, using the same proportions as those by which customer classes paid interim rates. For the period of the stay, the Company should refund to each customer the difference between the stayed rates and the final rates approved herein.

ORDER

1. The compliance filing submitted by Peoples Natural Gas Company on December 10, 1987 is hereby accepted.
2. The rate reduction schedules submitted by the Company in the December 10 filing are hereby approved.
3. The refund plan submitted by the Company is approved, except that refunds of overcollections during the interim rates period shall be distributed on a pro rata basis by customer class, using the same proportions as those by which customer classes paid interim rates.
4. Within 30 days of the completion of the refund process, Peoples shall submit to the Commission a report showing the actual amounts refunded by customer class and the interest rate applied.
5. This Order shall become effective immediately.

BY ORDER OF THE COMMISSION

Mary Ellen Hennen  
Executive Secretary

(S E A L)